

February 2010 Analysis of Revenue Collections

February Revenues

Department of Revenue tracked tax collections were down \$1.348 billion or -12.7% year to date.

Individual categories year to date are as follows:

- Income taxes were down \$660 million or -12.4%.
- Sales and Use Tax collections decreased by \$494 million or -13.5%.
- Corporate Income Tax collections decreased \$61 million or -16.9%.
- Total Motor Fuel Tax collections declined \$85 million or -13.8%.

Revenue Trajectory

As of February, we have now surpassed the \$1.4 billion shortfall built into the Governor's Amended Budget Revenue estimate by approximately \$300 million based on DOR tracked revenues which means that we will have to *grow* in future months to make budget (see Table 1). Treasury numbers show a lesser shortfall of \$200 million.

Table 1: FY2010 Estimated Shortfall		
	DOR Tracked	All State General Funds (Incl. MFT)
FY09 Revenues YTD	\$10,605,520,000	\$11,207,350,760
FY10 Revenues YTD	\$9,257,380,000	\$9,799,470,819
Revenue Deficit	-\$1,348,140,000	-\$1,407,879,940
Growth Built into FY10 General Estimate (Over FY09) That Will Not Be Realized	-\$304,116,664	-\$227,585,390
Estimated FY2010 Amd. Shortfall	-\$1,652,256,664	-\$1,635,465,330
FY10A Governor Estimated Shortfall	-\$1,354,782,253	-\$1,437,717,124
Difference from Estimated FY10 Amd Shortfall	-\$297,474,411	-\$197,748,206

It does appear that much of the decline in income tax revenues is being driven by a 31.1% increase in the number of refunds issued, which may mean that taxpayers are filing early in response to the processing backlog experienced last spring by the Department of Revenue.

Revenue Estimate

The Governor's Amended Budget revenue estimate projects a \$1.355 billion shortfall in State General Funds (if looking at just DOR tracked funds). The shortfall is \$1.438 in funds tracked by the Office of the Treasury. As noted above, the state has already exceeded this shortfall and will need to make up ground to compensate.

In FY11 the Governor projects 3.58% percent in revenue collections growth. The remainder of the growth is reliant on new fees and other initiatives including securitizing GEFA loans (\$288 million) and

implementing a fee on managed care organizations and hospitals (\$345 million) among other things. Overall, the Governor projects that there will be 8.12% growth over his FY10 Amended Budget.

Table 1: Revenue Estimates

	Dept of Revenue Tracked	All State General Funds (Incl. MFT)
FY09 Actual	\$15,625,304,936	\$16,766,661,804
FY2010		
FY10 Budget (HB119)	\$15,929,421,600	\$16,994,247,194
FY10 Amd. Governor Rec.	\$14,574,639,347	\$15,556,530,070
Difference from FY09 Actual	-\$1,050,665,589	-\$1,210,131,734
% Change from FY09 Actual	-6.72%	-7.22%
Difference from FY10 Budget - "Shortfall"	-\$1,354,782,253	-\$1,437,717,124
FY2011		
FY11 Gen. Governor Rec.	\$15,176,621,202	\$16,820,097,463
Difference from FY10 Amd. Governor Rec.		\$1,263,567,393
% Change from FY10 Amd. Governor Rec.		8.12%

The Table above shows the revenue estimates for both Department of Revenue tracked funds, which matches to the monthly press release from the Governor, and all state general funds, which matches to the actual revenue estimates reported in the bond prospectus and in the budget itself. These latter funds are reported in spreadsheets sent out by the Office of Treasury and Financial Services (OTFS) each month.

SBEO charts follow DOR tracked revenues since this is what is reported in the press.

Reserves

Currently, the state has \$103.6 million in reserves that have not been committed in the FY10 budget. This is the equivalent of about 2 ½ days of state operations. In FY2009 the state had 19 days of operations in reserves and in FY2008 it was 31 days.